

## Fund Objective

KIS Capital Partners Pty Ltd [KIS Capital] is an Australian based hedge fund investment manager with an Asia ex Japan trading focus. The KIS Asia Long Short Fund Australian Dollar Denominated [A\$] Australian Unit Trust and the KIS Asia Long Short Cayman Fund and Cayman Master Fund are trading focused funds whose objectives are to generate absolute returns with low volatility and correlation to other assets. Trade selection and portfolio management are based on three distinct principals of: Liquidity, Transparency and Risk Management. KIS Capital looks to build a portfolio of 'winning' trade ideas and hedge unwanted market risk.

## Performance for KIS Asia Long Short Fund

Performance data for the Master Series of the KIS Asia Long Short Fund Australian Dollar [A\$] denominated Australian Unit Trust [AUT].

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	1.17%	1.76%	0.70%	-0.77%	0.21%	0.95%	0.91%	-0.10%	-0.08%				4.83%
2013	-0.94%	2.20%	0.54%	0.83%	3.00%	0.36%	1.89%	1.03%	1.18%	1.44%	1.82%	-0.06%	14.06%
2012	2.33%	2.89%	0.73%	-1.50%	1.35%	-1.00%	0.24%	3.70%	-0.19%	1.39%	-0.13%	1.17%	11.41%
2011	1.35%	0.81%	-2.20%	1.14%	3.32%	-2.69%	2.70%	3.88%	1.02%	2.48%	0.36%	-0.02%	12.60%
2010	2.15%	2.46%	2.79%	3.05%	4.09%	-0.76%	-0.95%	1.23%	1.63%	1.42%	3.24%	2.84%	25.66%
2009										4.45%	4.82%	1.75%	11.40%

Returns shown are pre-tax and net of fees for the Master Series (inception, October 2009). Returns for other series may differ. Cumulative returns are shown assuming distributions are reinvested. Investors should receive a monthly NAV statement directly from the fund administrator. Please contact SSG.AUS@TMF-Group.com if you have not received your NAV statement. Returns are independently calculated by the fund administrator on an unaudited basis. Results to June 2014 have been audited by Ernst & Young Partnership.

## Fund Performance Profile : KIS Asia Long Short Fund A\$ AUT

MONTHLY		FUND INFORMATION	
Performance:	-0.08%	Fund Denomination:	A\$
<b>ROLLING 12 MONTHS</b>		Investor Type:	Sophisticated/Wholesale
Performance:	8.21%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		Performance Fee:	20%
Annualised Performance:	15.99%	<i>Fees are shown exclusive of GST</i>	
<b>SINCE INCEPTION, OCTOBER 2009</b>		Performance Hurdle:	RBA Cash Rate
Cumulative Performance of A\$1000 invested:	A\$2100	Subscription:	Monthly
		Redemption:	Monthly
		Inception:	Oct 2009
		Domicile:	Australia
		Prime Broker:	Deutsche Bank
		Auditor:	Ernst & Young
		Legal Counsel:	Minter Ellison
		Risk Management:	Imagine
		Fund Administrator:	TMF FundServices (Australia)
		Trustee:	KIS Capital
		Investment Manager:	KIS Capital

## Performance for KIS Asia Long Short Cayman Fund US\$ Series

Performance data for KIS Asia Long Short Cayman Fund United States Dollar [US\$] denominated Series [Cayman Fund].

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.66%	1.56%	0.62%	-1.02%	0.03%	0.67%	0.57%	-0.36%	-0.45%				2.28%
2013	-1.29%	2.13%	0.18%	0.55%	2.33%	0.14%	1.59%	0.77%	1.03%	1.30%	1.49%	-0.31%	10.31%
2012							-0.21%	2.59%	-0.60%	1.04%	-0.57%	0.95%	3.20%

Returns shown are net of fees for the US\$ class (inception, July 2012) foundation series. Returns for other series may differ.

Investors should receive a monthly NAV statement directly from the fund administrator. Please contact SSG.AUS@TMF-Group.com if you have not received your NAV statement. Returns are independently calculated by the fund administrator on an unaudited basis. Results to December 2013 have been audited by Ernst & Young Partnership.

## Fund Performance Profile: KIS Asia Long Short Cayman Fund US\$ Series

<b>MONTHLY</b>		<b>FUND INFORMATION</b>	
Performance:	-0.45%	Share Class Denomination:	US\$
<b>ROLLING 12 MONTH</b>		Investor Type:	Eligible Investor
Performance:	4.83%	Management Fee:	1.5%
<b>SINCE INCEPTION</b>		<i>The management fee increases to 2.0% from Jan 2014 for non-Foundation Series Investors The Management fee remains 1.5% for Foundation series Investors, the Foundation series remains open but is subject to closure without notice.</i>	
Annualised Performance:	7.00%	Performance Fee:	20%
<b>SINCE INCEPTION, JULY 2012</b>		Performance Hurdle:	None
Cumulative Performance of US\$1000 invested:	US\$1164	Subscription:	Monthly
		Redemption:	Monthly
		Inception:	July 2012
		Domicile:	Cayman
		Prime Broker:	Deutsche Bank
		Auditor:	Ernst & Young
		Legal Counsel:	Henry Davis York, Shipman and Goodwin LLP & Walkers
		Risk Management:	Imagine
		Fund Administrator:	TMF FundServices (Australia)
		Independent Board:	Refer to Private Placement Memorandum for details, Vice Presidents of Intertrust Corporate Services (Cayman) Limited
		Investment Manager:	KIS Capital

## Strategies used this month

**Equity Long/Short** – Australian, Hong Kong, New Zealand and Singaporean Equities. Australian and US Index Futures. Australian and Hong Kong Equity Options. Australian and US Index Options. Australian and HK Equity Rights.

**Arbitrage** – Hong Kong Equities, Index Futures and Options.

**Portfolio Hedge** – Australian and Canadian Equity Warrants. Australian Index Options.

**Convertible Bonds** – Australian Listed Hybrid Securities.

**Special Situations** – Australian, Hong Kong and UK Equities.

Most exposures are now booked via portfolio total return swaps and CFDs between the Funds and the Prime Broker. This improves operational efficiency and facilitates cost saving. References above refer to the underlying exposure of the total return swaps and CFDs.

## Monthly Summary

Fears of a deflationary environment became evident in markets this month.

The Deutsche Bank Market Implied US Inflation Index has spent the past year in a range of 2.10% to 2.20%. From the 16th Sept to 30th Sept, this fell from 2.06% to 1.91%. As we write this the index has now slumped to 1.76%. The main driver would appear to be weak data from Europe.

There is little question that Mario Draghi, president of ECB, is committed to do whatever it takes to stimulate the European economy and prevent a deflationary situation. The question is: what can he do? Central Bankers do not have an endless series of monetary stimulation policies and methods. At some point, fiscal stimulus, which should have a positive IRR (albeit this can be low), will need to be used to address the situation. In Europe this is not simply a political decision, but a complicated multi country political negotiation where Sovereign balance sheets are in very different states.

## Long Short

This portfolio produced a profit of 28bp.

Over the month we maintained a neutral profile. Our 13% long bias to small caps cost 72bp however our short index hedges produced 47bp of profit and our net flat bias to mid and large caps produced a total profit of 54bp.

As would be expected in weak equity markets, with both the S&P ASX 200 and HSCEI falling 6% on the month, the long exposures in our portfolio lost a total of 151bp. Offsetting these were the profits we made on our short positions which produced 140bp and the execution prices we achieved (benchmarked against daily closing prices) which produced 41bp.

## Arbitrage

This portfolio lost 12bp. We continue to hold a basket of mid cap HK listed names vs short HSCEI futures. We expect that the Shanghai-HK Connect initiative will allow mainland China investors to access this market cap segment and introduce a significant marginal buyer leading to a significant rally in these names.

## Portfolio Hedge

This portfolio generated 18bp of returns through the purchase and subsequent sale of S&P ASX 200 put options.

## Convertible Bonds

This portfolio generated 18bp this month.

It was a tough market for convertible bonds generally. We outperformed due to the selection of the assets we hold. We hold redeemable preference share structures that have ceased paying coupons. As a result these prohibit significant value being generated for ordinary shareholders in the event of a recovery in the profitability of these companies. The companies in questions are Elders Ltd (ELD.AX) and PaperlinX Ltd (PPX.AX) both of which have new management teams focused on business profitability.

## Special Situations

This portfolio lost 65bp this month.

The main loss was on SAI Global Ltd (SAI.AX) which cost 56bp. SAI.AX management were unable to reach a corporate transaction, either a sale of the whole company or one or more divisions, after a protracted process started in May. The company has a shareholder meeting on the 23rd October and we expect that the management will experience criticism from shareholders for failing to produce an outcome that brings immediate value to shareholders. Over time this is most likely to result in changes to the board.

## Currency Class FX Hedge - KIS Asia Long Short Cayman Fund US\$ Series Only

Investments are received in US\$ and spot exchanged to A\$. This FX spot trade is then one month forward FX hedged back to US\$. The cost of this FX hedge is a function of the differential of interest rates between US\$ and A\$. The impact of interest rate differentials reduced the performance of the US\$ series by 27bp.

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